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SUBJECT: MEDIA REACTION: RENMINBI REVALUATION, CROSS-STRAIT RELATIONS, PENTAGON'S REPORT ON CHINA MILITARY POWER

1. Summary: Amid the extensive coverage of local politics and the return of an injured Taiwan super-model from China to Taiwan, the major Chinese language Taipei dailies also spent pages July 23-25 reporting on the impact of the revalued Renminbi on Taiwan, President Chen's offer to attend this year's APEC Leaders' Summit in South Korea and meet with Chinese President Hu Jintao, the cross-strait talks scheduled for July 27 on selling Taiwan fruit to China, and the car bombs in Egypt. The centrist "China Times," interestingly, spent almost the whole of its second page July 25 discussing the Donald Keyser case and the interaction between Taiwan's and Washington's intelligence agencies over the past year. The newspaper also carried a news story on the same page introducing U.S. Army Colonel Albert Willner, who will come to Taiwan in August to take on the job as head of AIT's Liaison Affairs Section.

2. In terms of editorials and commentaries, several newspapers continued to editorialize on Beijing's move to revalue the Renminbi. An editorial in the pro-unification "United Daily News" said Beijing's move has unveiled new changes to the world economy, while an editorial in the centrist "China Times" called the move similar to Taiwan's own experiences. An editorial in the limited-circulation, pro-independence, English-language "Taipei Times," however, expressed concern about the possible speed of capital outflow from Taiwan to China created by the Renminbi revaluation. With regard to President Chen's proposal to attend the APEC summit and meet with Chinese President Hu Jintao, a commentary in the "United Daily News" called it a chess move that is meant as a show for viewers inside and outside Taiwan rather than a part of a real chess game with Beijing. Two editorials and one commentary continued the discussion of the Pentagon's annual report on China's military power that was released last week. A commentary in the limited-circulation, pro-independence, English-language "Taipei Times" and an editorial in the limited-circulation, pro-independence, English-language "Taiwan News" both called the Pentagon's report a wake-up call to the international community that Taiwan is not the only potential victim of Beijing's missile development and military threats. An editorial in the limited-circulation, conservative, pro-unification, English-language "China Post," on the other hand, said Washington now views Beijing as a competitor and a potential enemy. End summary.

1. Renminbi Revaluation

A) "One Pebble Splashes High Waves: Renminbi's Appreciation Has Unveiled New Changes to the World Economy"

The pro-unification "United Daily News" [circulation: 600,000] editorialized (7/23):

". The significance of [last week's] Renminbi revaluation is manifested in two aspects, and the first is in the political aspect. No matter whether the Beijing authorities admit it or not, mainland China's announcement to appreciate the Renminbi prior to Chinese President Hu Jintao's planned visit to the United States has provided essential bargaining chips to the Bush administration and has removed pressure from the protectionists inside the United States. Such a move was also made in an attempt [for Beijing] to further strengthen its political ties with the United States. In addition, Beijing intended to use this move to send a clear message to the international community, expressing its willingness in shouldering certain responsibility for the imbalanced global economy and its interest in sharing the obligations of a major member in the global economic system. In the meantime, Beijing also wanted to remove any barriers that might block its plan to deepen its relationships with major international economic organizations.

"The other aspect is the reform of [Beijing's] exchange rate system. When compared to the fact that it is generally acknowledged by the international society that the Renminbi was undervalued by more than ten percent, the appreciation of only two percent was really nothing. But the critical point lies in the change of the Renminbi exchange system, which has scrapped the peg to the dollar in favor of a basket of currencies of those major trading partners of mainland China. The move has created immense possibilities for the future direction of the Renminbi. . Mainland China's money exchange policy will enjoy greater flexibility in the future, so will the fluctuation of the Renminbi. Such a development will bring about various possible impacts for mainland China's economy and for the regional or even the global economies. ."

B) "Reform of the Renminbi Exchange System Is Actually a Replica of Taiwan's Experience"

The centrist, pro-status quo "China Times" [circulation: 600,000] observed in an editorial (7/23):

". Beijing's timing to appreciate the Renminbi was perfect and the world's responses to the move were all positive. The current small-scale appreciation of the Renminbi will be conducive to readjusting the imbalanced economy of mainland China as well as that of the other countries in the world. Several stocks that focus on China's market of domestic demand and whose profits are valued in the Renminbi are those that are mostly benefited by the Renminbi revaluation. But it was bad news for the Taiwan firms that are based in Taiwan and have their products manufactured on the mainland and exported to the United States. In the short term, the New Taiwan dollar and other Asian currencies will be lifted by the Yuan's revaluation, but their appreciation range will be much lower than that of the Renminbi, so Taiwan people need not panic about it."

C) "Yuan Changes Could Speed Outflows"

The pro-independence, English-language "Taipei Times" [circulation: 30,000] commented in an editorial (7/25):

"The timing of China's decision last week to revalue its currency and allow it to fluctuate against a basket of currencies came as a surprise, despite widespread expectations that it would eventually happen. The move does not, however, mark a complete end to China's decade-long peg to the US dollar, but rather the start of a new currency regime. .

"While the impact of the yuan's 2 percent revaluation will take time to assess, the issue of potential capital outflows to China from Taiwan has also caught the attention of the Mainland Affairs Council. Last week the Cabinet said it would monitor the potential impact on the export sector and help small and medium-sized enterprises hedge against the risk of currency fluctuations.

"As China is run by an opaque regime, its next move regarding the yuan cannot be predicted. For democratic economies such as Taiwan, the change in the yuan's value has become a regional and global issue we have to face."

12. Cross-Strait Relations

"The Chess Move of Bian-Hu Meeting Was Simply a Gesture Made for the Eyes of the [Local and International] Spectators"

Journalist Huang Ya-shih noted in the "United Notes" column of the pro-unification "United Daily News" [circulation: 600,000] (7/24):

". The move [by President Chen Shui-bian] to fly a [test] balloon of a 'meeting between Chen and Chinese President Hu Jintao' can show the international community and the Taiwan businessmen that favor the three links across the Taiwan Strait Chen's efforts in resuming the cross-Strait dialogue. Also, the harm that such a proposal would do to the feelings of [Chen's] pro-independence supporters will be minimum because China has already turned down the conditions set by Chen for his meeting with Hu. Every time when Beijing relentlessly turned down Taipei's offer, it would mean an opportunity for the Bian administration to accumulate its advantages that can be used to harshly criticize China's 'haughtiness' [toward Taiwan].

"Over the past few months, Chen has kept on talking

about the 'Bian-Hu meeting.' He first threw out remarks like 'hoping to invite Hu to visit Taiwan,' then said that he was willing to meet [with Hu] in a 'third country.' The statement was later followed by Chen's articulation that he hoped they could 'meet in the United States' in August or September. The latest version was that [Chen hoped he and Hu could] meet at the APEC summit. The topic regarding the Bian-Hu meeting that has been repeatedly thrown out [over the past few months] has managed to keep the heat of cross-Strait issue, but in reality, the progress on this issue is zero and remains to be static.

"As a result, when people view Chen's chess move of the 'Bian-Hu meeting,' they would prefer to calling it a move played to be shown to the viewers inside and outside Taiwan rather than a [real] chess game with Beijing."

13. Pentagon's Report on China Military Power

A) "Beijing's Expanding Military a Global Issue"

Liu Kuan-teh, a Taipei-based political commentator, wrote in the pro-independence, English-language "Taipei Times" [circulation: 30,000] (7/25):

". The Pentagon report is a wake-up call to the international community that Taiwan is not the only potential victim of Beijing's missile development and military aggrandizement. China's emerging military threat has extended beyond the Asia-Pacific region to Russia, Central and Southern Asia, and Australia.

"Even though the Chinese authorities have introduced the concept of 'peaceful rise,' a new term to describe China's emergence, the notion of the 'China threat' is by no means limited to the Taiwan Strait.

"In pursuing engagement with China, the international community, including the US, must state clearly that safeguarding a strong and democratic Taiwan is in the interest of US efforts to create peace and prosperity in the Asia-Pacific region. Only by offering Taiwan support for continued democratic consolidation and defense can the impact of the 'China threat' be jointly managed."

B) "Heed Wake-up Call on PRC Military"

The pro-independence, English-language "Taiwan News" [circulation: 20,000] noted in an editorial (7/25):

". The [Pentagon's] report shows that Taiwan is not the only potential victim of Beijing's missile development and military threats, but that China's expansive military capability is stretching beyond Asia-Pacific region to reach into Russia, Central and Southern Asia, and even Australia.

"Despite the attempt by Beijing authorities to ease global concerns over its rising military threat under the guise of its 'peaceful rise' slogan, China's military expansion has clearly become a serious provocation and a threat to the peace and security of the entire world as well as to the Taiwan Strait.

"A collective effort must be made by the international community to both incorporate China into the international framework and deter Beijing's military saber-rattling against a democratic and free Taiwan.

"The people of Taiwan must do their part by putting pressure on the pan-blue legislative majority to face up to the reality of this threat and cease their spiteful boycott of plans to purchase necessary advanced defensive weapons procurements."

C) "Beijing's Rapid Rise Worries Washington"

The conservative, pro-unification, English-language "China Post" [circulation: 30,000] commented in an editorial (7/23):

". The message from the [Pentagon's] report is loud and clear: China is a threat, regional if not global. Washington now views Beijing as a competitor, not a partner. Beijing is in fact seen as a potential enemy, next only to the rogue states like Iran, Iraq and North Korea. .

"It is evident that Beijing is now in Washington's cross hairs. It would be better for Beijing to stay off the U.S. gun sights by assuming a low profile and refrain from making inflammatory rhetoric. Beijing should know that the United States, the sole superpower in the world, needs an enemy, real or imaginary, to

fill the spot vacated by the former Soviet Union.
Beijing should never dream of being a U.S. partner
because it is a communist country and a dictatorship
whose rise poses a threat to U.S. hegemony."

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